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**the  
Glengair Group  
limited**



**annual report 1969**



# the Glengair Group limited

## CORPORATE DIRECTORY

**DIRECTORS** J. S. GAIRDNER ✓  
J. H. GAIRDNER ✓  
J. H. HAWKE ✓  
PETER HEDGEWICK  
L. C. E. LAWRENCE  
C. W. LEONARDI, C.A.  
JOHN A. MULLIN, Q.C.

**OFFICERS** J. S. GAIRDNER, Chairman of the Board  
J. H. HAWKE, President  
D. G. SINCLAIR, Vice President and  
General Manager – Operations  
C. W. LEONARDI, C.A., Vice President and Treasurer  
GEORGE L. PLODER, C.A., Assistant Treasurer  
CYRL H. HOLLINGSHEAD, Q.C., Secretary

**TRANSFER AGENT AND REGISTRAR** CANADA PERMANENT TRUST COMPANY  
Montreal, Toronto, Winnipeg, Vancouver

**TRUSTEE – DEBENTURES** THE ROYAL TRUST COMPANY  
Montreal, Toronto, Winnipeg, Vancouver

**AUDITORS** GLENDINNING, JARRETT, GOULD & CO.,  
Chartered Accountants, Toronto

**SOLICITORS** FRASER & BEATTY, Toronto

**LISTED** MONTREAL STOCK EXCHANGE



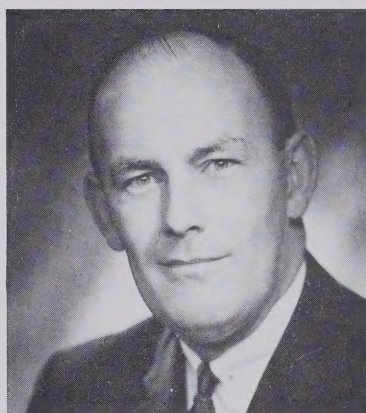
## DIRECTORS AND SENIOR MANAGEMENT



J. S. GAIRDNER  
Chairman of the Board



J. H. HAWKE  
President



D. G. SINCLAIR  
Vice President and  
General Manager - Operations



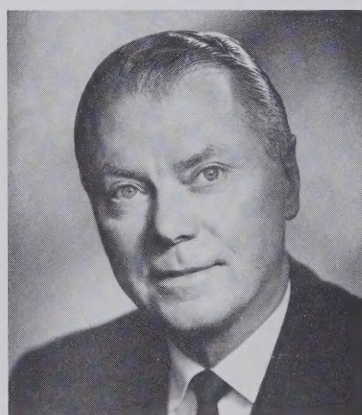
C. W. LEONARDI, C.A.  
Vice President and Treasurer  
President, Venpower Limited



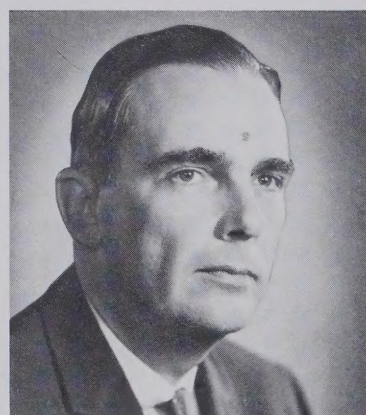
J. H. GAIRDNER  
Director



PETER HEDGEWICK  
Director



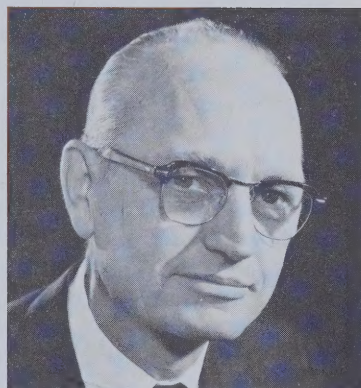
L. C. E. LAWRENCE  
Director



JOHN A. MULLIN, Q.C.  
Director



## OPERATING MANAGEMENT



E. Y. CARLSON  
President  
Canada Brick Company



W. R. PARKS  
Vice President and General Manager  
Northern Tar,  
Chemical and Wood Limited



R. A. CROLL  
President  
Allanson Manufacturing  
Corporation Limited



R. B. PRINDIVILLE  
President  
Redi-Set Business Forms Limited



EMANUEL BATLER  
President  
Glentech Instruments Limited



A. M. JAMES  
President  
Tancord Industries Ltd.



ANDRÉ GOYER  
President  
St. Lawrence Brick Co. Limited

## THE GLENGAIR GROUP LIMITED

### FINANCIAL HIGHLIGHTS (see Note)

	<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>
Sales (net) .....	\$29,734,157	\$19,882,252	\$20,384,369	\$10,437,384
Earnings Before Extraordinary Income .....	\$ 803,869	\$ 661,077	\$ 730,260	\$ 369,414
Extraordinary Income (net) .....	\$ 1,077,260	\$ 760,377	\$ 301,160	\$ 19,852
Net Earnings for the Year .....	\$ 1,881,129	\$ 1,421,454	\$ 1,031,420	\$ 389,266
Net Earnings per Share .....	20¢	18¢	13¢	5¢
Number of Shares Outstanding .....	9,367,306	7,873,827	7,860,862	7,332,976
Retained Earnings (Deficit) .....	\$ 3,329,576	\$ 1,490,872	\$ 94,736	\$ (833,529)

Note: For comparative purposes, figures for 1966, 1967 and 1968, where applicable, have been restated to reflect accounting methods employed in 1969.

### The Glengair Group Limited (from 1966) and its subsidiary company, Glengair Investments Limited (from 1961)

#### COMPARATIVE KEY DATA

	<u>Shareholders' Equity</u>	<u>Consolidated Net Earnings</u>	<u>Working Capital</u>	<u>Gross Assets</u>
1969	\$17,233,745	\$1,881,129	\$6,455,453	\$47,739,930
1968	17,899,633	1,421,454	2,393,958	40,626,506
1967	13,005,338	1,031,420	3,730,248	31,773,360
1966	7,824,343	389,266	2,342,348	28,314,855
1965	5,877,145	405,525	3,536,788	16,664,127
1964	1,182,189	184,230	1,889,845	6,872,554
1963	271,447	6,082	(40,106)	430,139
1962	433,989	(8,370)	(125,111)	559,162
1961	(247)	(131)	(31,416)	31,967



## REPORT TO SHAREHOLDERS

The Glengair Group Limited achieved record sales among its member-companies and entered a new phase of growth in operations. Additions during the year to our executive team strengthened management depth and effectiveness throughout the organization.

### FINANCIAL

Total sales for 1969 amounted to a record \$29,734,000 compared with \$19,882,000 for the prior year. This is a significant increase in view of difficulties encountered by some operating companies with regard to the disruption of activities due to labour disputes and production setbacks. The inclusion of a full year's sales from companies acquired in 1968 and partial sales from those acquired in 1969 also contributed to the overall sales increase.

Net earnings for the year were \$1,881,129 or 20 cents per share compared with restated earnings for 1968 of \$1,421,454 or 18 cents per share. Net earnings after tax and before extraordinary items amounted to \$803,869 compared with \$661,007 in the prior year.

For the first time, realized profits on sales of investments have been recorded as extraordinary income in the net amount of \$1,077,260. 1968 figures have been restated for comparative purposes indicating a net extraordinary income for that year of \$760,377.

### MARKETABLE SECURITIES AND OTHER INVESTMENTS

Because of general market conditions, the market value of security holdings underwent a decline. Portfolio changes included the exchange of Radio Engineering Products shares for those of Nytronics Inc. and the subsequent sale of 91,000 shares, as well as the conversion of I.T.L. Industries Limited 6½ per cent convertible debentures into common shares. The Company also subscribed to \$1,500,000 I.T.L. Industries Limited 8% convertible debentures due October 1, 1988.

Upon the reorganization of the capital structure of Venpower Limited, The Glengair Group Limited became the owner of 50.3 per cent of Venpower. As a result, Venpower securities were removed from the investment portfolio of the Company and results of its operations were consolidated in the operating statements from July 1, 1969.

The Glengair Group Limited acquired a 43 per cent equity interest in Orangerooft Canada Ltd., holder of exclusive rights to build, operate and license Howard Johnson Motor Lodges, Restaurants and Red Coach Grills in Canada. Subsequent to the year end, an offering of Class B Shares of Orangerooft has been arranged at a price of \$5.35 per share which, when completed, will reduce the 43 per cent interest to 36 per cent. As a consequence, the 600,000 Class

A Shares and 200,000 Class B Shares owned by Glengair will have substantially increased in value.

### ATLANTIC SUGAR REFINERIES CO. LIMITED

On April 21, 1970, The Glengair Group Limited completed the purchase of 1,250,000 Common Shares of Atlantic Sugar Refineries Co. Limited. The Glengair Group intends to make a share exchange offer to all Common Shareholders of Atlantic Sugar in Canada on the basis of exchanging one Common Share of Atlantic Sugar for a package consisting of 1½ Class B Preference Shares and 1 Common Share of The Glengair Group Limited. Glengair intends also to offer all holders of Warrants of Atlantic Sugar in Canada to exchange such Warrants on the basis of a Warrant to purchase 1½ Class B Preference Shares and 1 Common Share of Glengair for each Warrant to purchase 1 Common Share of Atlantic Sugar. Trafalgar Investments and two other shareholders have agreed to accept the exchange offer for holdings which total approximately one million additional shares.

The Class B Preference Shares, subject to the approval of shareholders at the Annual Meeting, will have a par value of \$5.00 and will carry a 30 cent non-cumulative dividend. These shares will be convertible into Common Shares of The Glengair Group Limited on a share for share basis. The Information Circular distributed with this Annual Report contains a Special Resolution which requires shareholder approval to implement the proposed exchange offer.

Atlantic Sugar Refineries Co. Limited has a long history of Canadian-owned operations in this country, particularly in the Atlantic provinces where it currently employs more than 2,000 people. It is engaged in the refining and marketing of "Lantic" sugar and, under a program of diversification undertaken several years ago, is active in the production of groundwood pulp as well as the Maritime fishing and fish processing industries.

For the year ended December 31, 1969, Atlantic Sugar achieved gross sales of \$64.4-millions compared to \$51.9-millions a year earlier. Net earnings were \$5,317,304 or 82 cents per share compared with \$2,022,056 or 23 cents in 1968.

The combined financial and management resources of Atlantic Sugar and Glengair are expected to produce greater growth and profitability for all shareholders in the future.

### OPERATIONS

Management attention was focused during the year on all operating divisions in an attempt to obtain uniformity of financial reporting practices and further operational efficiencies. It is anticipated that the coming year will demonstrate more accurately the benefits of recent innovations.



CANADA BRICK COMPANY is a wholly-owned member of The Glengair Group Limited and has the largest brick manufacturing facility under one roof of any Canadian company.

Canada Brick Company enjoyed increased sales and earnings for the year, although inflationary pressures influenced cost controls.

Favourable weather conditions early in 1969 stimulated activity in the construction industry and created a strong demand for Canada Brick's products. As a result, the plant ran at or above rated capacity for the entire year.

As part of its continuing program of product innovation and quality improvement, Canada Brick introduced, in the latter half of the year, a 3" Through-The-Wall brick as a companion product to our 6" and 8" T-T-W units which have gained such wide acceptance in the market place. Test marketing of this new product indicates a similarly favourable reception among potential customers.

Canada Brick is currently working toward another highly successful year end in 1970 although weather conditions, credit restrictions and construction activity play a major role in influencing the company's performance level.

REDI-SET BUSINESS FORMS LIMITED, acquired in February 1969, manufactures business forms designed for computer usage. Higher demand for its products in 1969 resulted in year end increases in both sales and profits. A 17,000 square foot plant expansion, completed in 1969, enabled the company to install new equipment and created the greater production capacity required to penetrate new sales markets.

A new sales office was opened in London to develop the company's growing business opportunities in Western Ontario and the Montreal Sales Office was expanded to service large national corporations in that area.

Redi-Set is currently introducing OCR forms (optical character recognition), a technical and exacting area of the business forms industry. The use of OCR is increasing at a rapid rate in the United States and is expected to be in great demand in the Canadian market.

With the growth of the computer industry in this country Redi-Set's potential will expand accordingly. The company is engaged in aggressive developmental and marketing plans aimed at corporate growth and greater market penetration for its products.

TANCORD INDUSTRIES LTD., an eighty per cent owned subsidiary acquired in 1966, is a producer of cordage products and a wide range of synthetic ropes, twines and sacking materials.

The recent acquisition by Tancord of Plymouth Cordage Company entailed considerable expense in the moving of equipment from Welland to Brantford and the training of new personnel. Production levels were therefore disrupted for a large portion of the year.

Sales increases during the year were attributed mainly to the rope and tying twine requirements of former customers of Plymouth Cordage. The market for harvest twines was eroded by competition from abroad and sales of synthetic ropes and twines were somewhat less than anticipated. The company is continuing with technical and market promotion of its woven polypropylene products.

Through the acquisition of Plymouth, Tancord has achieved a position in the wire rope core industry that has reduced its dependence on harvest twines. At the present time, a complete review of the company's product range is being conducted to develop those lines which are the most profitable. The result of this review will be awaited before any major long term plans are finalized.

ALLANSON MANUFACTURING CORPORATION LIMITED, acquired in December, 1968, manufactures a wide variety of electrical products — transformers, ballasts and battery chargers.

Labour problems for the greater part of 1969 beset the company's operations in Toronto as well as at its affiliate in North Tonawanda, N.Y., resulting in a decline in operating results. The most seriously affected area of the company's operations, the remanufacturing of various equipment for automotive electrical products, was further hampered by industry-wide problems. These factors led to the termination of the automotive remanufacturing division of Allanson's operations late in 1969.

Greater than anticipated activity is being experienced with the recently introduced Mercury Vapour Ballasts and Xenon power supplies which are part of the audio-visual equipment currently being installed in the Province of Ontario's "Ontario Place 71" at Toronto's waterfront near the Canadian National Exhibition.

The company's entry into the Battery Charger supply business has been received well by the automotive wholesale trade. At the present time, the U.S. subsidiary is undergoing startup operations prior to its entry into the American Neon transformer market.

Levels of available business for 1970 in all trading areas suggest overall sales volumes will not only recoup the dip in 1969 sales, but will provide for a favourable growth rate. Research and development are being carried out constantly with a look to the future not only in the electrical field but in the fields of pollution and water purification.



NORTHERN TAR, CHEMICAL and WOOD LIMITED, a 76 per cent owned subsidiary, produces a wide variety of wood products and operates treatment facilities for the preservative coating of wood products, utility poles, railway ties, lumber and timber.

General credit restrictions and rising costs that adversely affected the building industry in 1969 were also reflected in Nortar's earnings. The start up of a new mill in mid-year should substantially solve many of the problems encountered by Nortar since its former mill was destroyed by fire last year.

The production and treatment of railway ties and poles represent a degree of related diversification in Nortar's operations which lends a certain amount of relief from sole reliance on the housebuilding industry.

Management changes and extensive organizational refinements have taken place during the year, the effects of which should begin to be demonstrated in the coming year.

GLENTech INSTRUMENTS LIMITED was formed early in 1969 to establish and acquire companies with high-technology products and to invest in companies possessing greater than average potential for growth in one or more fields of science or technology.

The company has acquired 108,750 shares in Digital Telephone Systems, Inc., a newly-incorporated company in San Rafael, California. Although in the formative stage of its development, Digital has embarked on a five year plan to design and market a series of products with applications in the sophisticated electronic communication industry. In April, 1970, Digital agreed to issue 150,000 common shares to a U.S. corporation at \$8.33 per share which will have the effect of reducing Glentech's 26 per cent interest, acquired at \$2.00 per share, to 19.4 per cent.

In 1970, Glentech made an investment in Applicon Computer Systems Ltd., of Ottawa, Canada, to begin production of a low cost line-printer for mini-computers, one of the fastest growing segments of the computer industry.

Technology is now and will continue to be the driving force behind economic growth today. Glentech is in an excellent position to take advantage of the many opportunities that exist in this area of dynamic progress.

VENPOWER LIMITED which became 50.3 per cent controlled in July, 1969, has become an operating member of The Glengair Group Limited. Its operations entail the supply of electric power to two towns in Venezuela. Venpower's

earnings amounted to \$120,365 and \$213,309 in the fiscal years ended June 30, 1968 and 1969 respectively. Earnings for the current fiscal year are expected to show a substantial improvement.

ST. LAWRENCE BRICK CO. LIMITED, which became a 51 per cent subsidiary in mid-1969, was acquired to penetrate the brick markets of the Montreal area and to parallel the Ontario operations of Canada Brick Company.

The expansion of facilities, including a new tunnel kiln scheduled to begin operating in July, will increase the plant's production capacity to 45 million units annually. Shale deposits at the plant site contain extensive reserves which, at present capacity, are estimated to last in excess of 100 years.

### MANAGEMENT

Management appointments during the year have strengthened our operating position both at head office and among member companies. Mr. D. G. Sinclair, our new Vice-President and General Manager — Operations, has also been appointed President of Northern Tar, Chemical and Wood Limited and Mr. W. R. Parks, former Deputy Minister of Natural Resources for the Province of Saskatchewan, has joined the Nortar group of companies as Vice-President and General Manager.

Mr. J. S. Gairdner became Chairman of the Board of The Glengair Group Limited in 1969 and was succeeded as President by Mr. J. H. Hawke.

Glengair is actively pursuing the many opportunities available to it, both in the operations of the member-group and in the challenges that lie beyond. Aggressive management approaches have gained good results in 1969 and we look forward to building on these advances in 1970 and future years.

The effort and loyalty of employees, associates and shareholders are gratefully acknowledged.

On behalf of the Board of Directors  
J. H. HAWKE, President

# the Glengair

(Incorporated under the laws of the State of New York)

and its subsidiaries

## CONSOLIDATED

as at December 31, 1969

(with comparative figures for 1968)

### assets

	1969	1968
Current		
Cash .....	\$ 1,059,899	\$ 635,937
Short-term investments — at cost which approximates market value .....	1,124,103	105,000
Accounts receivable .....	4,957,895	3,897,529
Inventories — at the lower of cost and net realizable value .....	8,471,852	6,804,152
Prepaid expenses and other assets .....	240,643	296,644
Taxes recoverable .....	71,915	13,826
Due from affiliated companies .....	—	74,172
	<u>15,926,307</u>	<u>11,827,260</u>
Marketable Securities (Note 2) .....	7,970,293	14,126,332
Other Investments (Note 3) .....	3,294,713	—
Notes, Deposits and Mortgages Receivable .....	152,106	130,544
Special Refundable Tax .....	—	43,968
Fixed (Note 4)		
Land, shale deposits, railway siding, buildings, machinery, equipment and leasehold improvements .....	22,639,418	14,867,110
Less: Accumulated depreciation, depletion and amortization .....	13,044,107	9,020,749
	<u>9,595,311</u>	<u>5,846,361</u>
Deferred Charges		
Organization and financing costs including discount on long-term debt, less amortization .....	667,128	551,465
Goodwill and patent rights — at cost .....	14,494	14,494
Deferred income tax charges .....	262,899	161,498
	<u>944,521</u>	<u>727,457</u>
Excess of Cost of Investment in Subsidiaries Over Book Value of Net Assets Acquired (Note 4) .....	9,856,679	7,924,584
	<u>\$47,739,930</u>	<u>\$40,626,506</u>

Approved by the Board:

J. H. Hawke, Director

C. W. Leonardi, Director

See Notes to Consolidated Financial Statements



# Group limited

of the Province of Ontario)

ry companies

## BALANCE SHEET

er 31, 1969

r 1968 — Notes 1 and 4)

### liabilities

#### Current

	1969	1968
Bank advances (secured) (Note 5) .....	\$ 4,264,948	\$ 4,839,859
Payable in respect of acquisition of shares of subsidiary companies .....	—	1,054,349
Accounts payable and accrued liabilities .....	3,207,961	2,652,477
Due to broker (secured) .....	831,095	—
Income taxes payable .....	693,852	354,282
Current instalments of long-term debt .....	459,250	509,400
Dividends payable to minority shareholders of subsidiary .....	13,748	22,935
	<u>9,470,854</u>	<u>9,433,302</u>
Demand Bank Loans (Secured) (Note 6) .....	9,050,000	—
Notes Payable in Respect of Acquisition of Shares of Subsidiary Companies ....	—	2,866,501
Deferred Income Taxes .....	323,375	108,129
Long-Term Debt (less current instalments) (Note 7)		
Parent company .....	3,662,580	3,862,580
Subsidiary companies .....	4,236,922	4,449,271
	<u>7,899,502</u>	<u>8,311,851</u>
Other Long-Term Liabilities .....	109,915	—
Minority Interest in Subsidiary Companies		
Preference shares — par value .....	1,177,485	1,204,985
Common and deferred shareholders' equity in capital stock and surplus ...	2,475,054	802,105
	<u>3,652,539</u>	<u>2,007,090</u>

### shareholders' equity

#### Share Capital (Note 8)

Authorized — 20,000,000 common shares without par value		
1,000,000 preference shares with a par value of \$25 each		
Issued and fully paid		
9,367,306 common shares (1968 — 7,873,827) .....	11,888,323	7,965,610
Unrealized Appreciation of Marketable Securities .....	2,015,846	8,443,151
Retained Earnings .....	3,329,576	1,490,872
	<u>17,233,745</u>	<u>17,899,633</u>
	<u>\$47,739,930</u>	<u>\$40,626,506</u>

**the Glengair Group limited**  
and its subsidiary companies

**CONSOLIDATED STATEMENT OF EARNINGS**

for the year ended December 31, 1969 (with comparative figures for 1968 – Note 1)

	1969	1968
Sales (Net) .....	\$29,734,157	\$19,882,252
Cost of Sales .....	21,819,971	15,334,147
Gross Earnings from Operations .....	7,914,186	4,548,105
Operating Expenses		
Administration and selling .....	4,258,908	2,219,744
Depreciation and depletion .....	1,015,962	579,662
	5,274,870	2,799,406
Earnings from Operations .....	2,639,316	1,748,699
Financial Expenses		
Debentures		
Interest .....	599,041	559,214
Amortization of financing costs .....	57,634	58,025
	656,675	617,239
Bank interest .....	410,594	274,135
	1,067,269	891,374
	1,572,047	857,325
Investment and Other Income		
Interest .....	82,414	115,944
Dividends .....	41,658	45,348
Sundry .....	108,672	124,443
	232,744	285,735
Less: Carrying charges .....	166,959	76,433
	65,785	209,302
	1,637,832	1,066,627
Provision for Income Taxes		
Income taxes payable .....	913,137	412,508
Deferred income taxes .....	(142,712)	(68,998)
	770,425	343,510
	867,407	723,117
Minority interest therein .....	63,538	62,040
Earnings before Extraordinary Income .....	803,869	661,077
Extraordinary income (net) less income taxes and minority interest (Note 10)	1,077,260	760,377
Net Earnings for the Year .....	\$ 1,881,129	\$ 1,421,454

See Notes to Consolidated Financial Statements



**the Glengair Group limited**  
and its subsidiary companies

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

for the year ended December 31, 1969 (with comparative figures for 1968 – Note 10)

	<u>1969</u>	<u>1968</u>
Balance, January 1 .....	\$ 1,490,872	\$ 94,736
Reversal of restated 1967 deferred income tax provision, less minority interest therein .....	—	104,630
	<u>1,490,872</u>	<u>199,366</u>
Net earnings for the year .....	1,881,129	1,421,454
	<u>3,372,001</u>	<u>1,620,820</u>
Deduct: Preferred dividends to minority shareholders of subsidiary company .....	41,690	100,326
Prior years' adjustments .....	735	29,622
	<u>42,425</u>	<u>129,948</u>
Balance, December 31 .....	<u>\$ 3,329,576</u>	<u>\$ 1,490,872</u>

See Notes to Consolidated Financial Statements

# the Glengair Group limited

## and its subsidiary companies

### CONSOLIDATED SCHEDULE OF MARKETABLE SECURITIES

as at December 31, 1969

Par Value or number of shares	LISTED SECURITIES	Average Cost		Market Value		Income
		Total	Unit	Unit	Total	
18,075	Atlantic Sugar Refineries Co. Limited, common	\$ 116,754	6.46	8 $\frac{1}{8}$	\$ 146,859	\$ 4,519
287,354	Canadian Security Management Limited, A	368,846	1.28	3.75	1,077,578	
163,149	Capital Diversified Industries Limited, common	93,075	.57	2.90	473,132	
120,000	Consolidated Building Corporation Limited, common	502,946	4.19	1.50	180,000	
200,000	Ensign Oils Limited	440,000	2.20	3.20	640,000	
834,821 $\frac{1}{2}$	The International Helium Company Limited	1,139,627	1.27	.42	350,625	
201,669	I.T.L. Industries Limited, common	236,752	1.17	11.00	2,218,359	41,692
50,000	Nytronics Inc. — common	200,000	4.00	12.15	607,500	
150,000	— warrants	186,000	1.24	4.00	600,000	
	Miscellaneous	67,953			51,240	80
		3,351,953				
	Pre-acquisition unrealized appreciation in subsidiaries' holdings of listed securities adjusted for post-acquisition sales	955,273				
	Totals of listed securities	\$4,307,226			\$6,345,293	\$46,291

Par Value	CONVERTIBLE DEBENTURES	Average Cost		Market Value		Income
		Total	Unit	Unit	Total	
\$ 125,000	Canadian Security Management Limited 7% — Nov. 1, 1971	\$ 125,000	100	100	\$ 125,000	\$ 8,750
\$1,500,000	I.T.L. Industries Limited 8% — Oct. 1, 1988	1,500,000	100	100	1,500,000	30,000
		1,625,000			1,625,000	38,750
		\$5,932,226			\$7,970,293	\$85,041



**the Glengair Group limited**  
and its subsidiary companies

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

for the year ended December 31, 1969 (with comparative figures for 1968 – Note 1)

SOURCE OF FUNDS	1969	1968
Earnings before extraordinary income .....	\$ 803,869	\$ 661,077
Items not affecting funds		
Depreciation and depletion .....	1,015,962	579,662
Deferred income taxes .....	(142,712)	(68,998)
Amortization of deferred financing costs .....	57,634	58,025
Minority interest .....	63,538	62,040
Funds from operations .....	<u>1,798,291</u>	<u>1,291,806</u>
Other		
Funds from extraordinary income		
Extraordinary income (Note 10) .....	1,077,260	760,377
Deferred income taxes .....	181,736	—
Minority interest .....	64,449	(2,788)
	<u>1,323,445</u>	<u>757,589</u>
Demand bank loans arranged pending permanent financing (Note 6) ..	9,050,000	—
Issue of common shares of parent and subsidiary companies for cash ..	469,752	8,200
Proceeds from sale of investments, less realized gain included		
as extraordinary income .....	417,048	470,913
Forgivable loans for purchase of fixed assets .....	298,561	—
Issue of long-term debt .....	50,000	650,000
Miscellaneous .....	158,480	17,751
	<u>11,767,286</u>	<u>1,904,453</u>
	<u>13,565,577</u>	<u>3,196,259</u>
APPLICATION OF FUNDS		
Additions to fixed assets (net) .....	2,161,440	1,628,091
Purchase of marketable securities .....	1,500,000	2,201,211
Reduction of long-term debt .....	586,240	510,000
Purchase of other investments .....	3,294,713	—
Redemption of preferred shares of a subsidiary .....	22,875	16,050
Payment of dividends by a subsidiary .....	74,936	161,898
Funds used in acquisition of subsidiaries in excess of working capital thereof	1,808,330	(23,348)
Miscellaneous .....	55,548	38,647
	<u>9,504,082</u>	<u>4,532,549</u>
Increase (Decrease) in working capital for year .....	4,061,495	(1,336,290)
Working capital, January 1 .....	2,393,958	3,730,248
Working capital, December 31 .....	<u>\$ 6,455,453</u>	<u>\$ 2,393,958</u>

See Notes to Consolidated Financial Statements

# the Glengair Group limited

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1969

### 1. BASIS OF CONSOLIDATION

Assets, liabilities and operating results of all subsidiary companies, with the exception of St. Lawrence Brick Co. Limited, have been included in the consolidated financial statements. Accounts are all as of December 31, 1969, except those of Tancord Industries Ltd. whose fiscal year end was October 31, 1969.

The following companies are included for the first time in 1969:

- (i) Redi-Set Business Forms Limited;
- (ii) Venpower Limited — operating results since July 1, 1969;
- (iii) Glentech Instruments Limited — operating results from date of incorporation, May, 1969;
- (iv) Allanson Manufacturing Corporation Limited and Allanson Manufacturing Corporation — assets and liabilities, but not operating results, were included in the 1968 financial statements.

Control of St. Lawrence Brick Co. Limited was acquired on July 1, 1969, at which time it was planned to provide new facilities to replace certain of the existing plant and equipment. Until these major changes are completed, it is considered that the accounts of this company ought not to be included in the consolidated financial statements. Operations since acquisition have resulted in a loss, of which the share attributable to The Glengair Group Limited amounts to \$23,858, no part of which has been provided for in these financial statements. See also Note 3.

### 3. OTHER INVESTMENTS — at cost

St. Lawrence Brick Co. Limited		
— an unconsolidated subsidiary (see also Note 1)		
Shares . . . . .	\$377,524	
Debenture		
9¼ % due April 1, 1990 . . . . .	375,000	\$ 752,524
Orangerooft Canada Ltd.—shares . . . . .		2,306,630
Digital Telephone Systems, Inc. — shares . .		235,559
		<u>\$3,294,713</u>

Orangerooft Canada Ltd. and Digital Telephone Systems, Inc. are in formative stages of development.

### 4. FIXED ASSETS

In 1969, it was decided to adopt, as a uniform policy, the cost method of valuation of fixed assets. Previously, these assets were valued, in part, at cost, and in part, on the basis of appraisals made at a number of different dates. The effect of this change is to reduce the net value of the fixed assets by \$5,836,158, to reduce the minority common and deferred shareholders' equity in capital stock and surplus by \$808,073 and to increase the "Excess of cost of investment in subsidiaries over book value of net assets acquired" by \$5,028,085, since all recorded appraisal increments were in subsidiary companies.

For comparative purposes, the preceding year's figures have been revised accordingly.

The following is a summary of the gross asset values:

	Cost
Land and shale deposits . . . . .	\$ 296,555
Buildings, machinery and all	
other depreciable assets . . . . .	22,342,863
	<u>\$22,639,418</u>

Buildings, machinery and all other depreciable assets are insured on a replacement cost basis for a value in excess of \$32,000,000.

### 5. SECURITY FOR BANK ADVANCES

Bank advances are secured by inventories and general assignment of book debts (see also Notes 6 and 14).

### 2. MARKETABLE SECURITIES

	1969		1968	
	Cost	Market Valuation	Cost	Market Valuation
Securities listed on recognized Canadian and American stock exchanges . . . . .	\$4,307,226	\$6,345,293	\$4,600,020	\$12,277,842
Debentures . . . . .	1,625,000	1,625,000	1,024,530	1,848,490
	<u>\$5,932,226</u>	<u>\$7,970,293</u>	<u>\$5,624,550</u>	<u>\$14,126,332</u>

Securities listed on Canadian and American stock exchanges have been valued at quoted market values on the relative exchanges on December 31, 1969. Debentures have been stated at approximate market values on December 31, 1969.



## 6. DEMAND BANK LOANS — SECURED

The parent company arranged these loans to acquire shares of subsidiaries and certain other investments. Although payable on demand, these loans have been shown as non-current liabilities as it is the directors' intention to replace them with permanent financing. (See also Note 14)

## 7. LONG-TERM DEBT

	1969	1968
Parent company		
Sinking fund debentures		
Series A, 6¾%, due December 15, 1985 .....	\$ 2,062,580	\$ 2,162,580
Series B, 6½%, due June 30, 1976 .....	1,800,000	1,900,000
	<u>3,862,580</u>	<u>4,062,580</u>
Less: Sinking fund payments due within one year .....	200,000	200,000
	<u>\$ 3,662,580</u>	<u>\$ 3,862,580</u>
Subsidiary companies		
Northern Tar, Chemical and Wood Limited		
Secured debenture, 7.8%, due		
\$110,000 annually December 15, 1970 to 1978 inclusive, and		
\$100,000 annually December 15, 1979 to 1983 inclusive .....	\$ 1,490,000	\$ 1,600,000
Canada Brick Company Limited		
First mortgage sinking fund bonds, 6¾%, due January 4, 1986 .....	1,600,000	1,700,000
(The current obligation has been met)		
Tancord Industries Ltd.		
Secured debenture, 6¾%, due		
\$100,000 annually July 31, 1970 to 1981 .....	1,200,000	1,300,000
Mortgages and floating charge debentures .....	206,172	158,671
	<u>4,496,172</u>	<u>4,758,671</u>
Less: Sinking fund and principal payments due within one year .....	259,250	309,400
	<u>\$ 4,236,922</u>	<u>\$ 4,449,271</u>
Payments required in the next five years to meet long-term debt instalments and sinking fund provisions are:		
1970 .....	\$459,250	
1971 .....	536,218	
1972 .....	525,808	
1973 .....	523,177	
1974 .....	524,281	

## 8. CAPITAL STOCK, OPTIONS AND WARRANTS

### Capital Stock

#### (i) Authorized

The authorized capital of the Company was increased to 20,000,000 Common Shares without par value and 1,000,000 cumulative, redeemable Preference Shares with a par value of \$25 each. Previously authorized capital consisted of 10,000,000 Common Shares without par value.

#### (ii) Issued during 1969

- 251,115 Common Shares were issued for a cash consideration of \$456,212.
- 1,242,364 Common Shares were issued for \$3,466,501 as partial consideration in the acquisition of Redi-Set Business Forms Limited, Allanson Manufacturing Corporation Limited and Allanson Manufacturing Corporation.

### Options

The following options are outstanding:

45,000 Common Shares at \$1.50 per share (at a maximum rate of 7,500 shares per year) to an officer of a subsidiary company to expire not later than February 28, 1975.

65,000 Common Shares at \$5.375 per share (at a maximum rate of 13,000 shares per year) to an officer of the Company and to an employee of a subsidiary company to expire not later than August 31, 1974.

### Share Purchase Warrants

There are share purchase warrants outstanding entitling the holders thereof to purchase an aggregate of 726,050 Common Shares of the Company at the following prices:

\$1.75 per share if exercised on or before June 30, 1970; thereafter

\$2.25 per share if exercised on or before June 30, 1972; thereafter

\$3.00 per share if exercised on or before June 30, 1974; and thereafter

\$4.00 per share if exercised on or before June 30, 1976; void thereafter.

## 9. DEFERRED INCOME TAXES

Unrecorded deferred income tax credits (net of charges) accumulated prior to the adoption of the allocation basis in 1968, which arose from capital cost allowances claimed in excess of depreciation recorded, amount to \$191,955.

## 10. EXTRAORDINARY INCOME — net

Pursuant to the recommendations of the Canadian Institute of Chartered Accountants, effective January 1, 1969, the Company has reflected realized profits on sales of investments as extraordinary income. Previously these gains were shown as "Realized appreciation of marketable securities" in the Statement of Retained Earnings.

The 1968 figures have been restated accordingly.

Extraordinary income consists of the following items (net of income tax of \$140,275 in 1969):

	1969	1968
Realized profits on sales of investments (net) . . . . .	\$1,258,221	\$683,383
Excess of insurance proceeds over net book value of assets destroyed by fire . . . . .	108,378	—
Capital profit on sale of fixed assets . . . . .	116,048	—
Other . . . . .	62,608	74,206
	<u>\$1,545,255</u>	<u>\$757,589</u>
Less:		
Interest on bank loans arranged to acquire shares of subsidiaries and other investments pending permanent financing . . . . .	403,546	—
Minority interest in extraordinary income (loss) . . . . .	64,449	(2,788)
	<u>467,995</u>	<u>(2,788)</u>
	<u>\$1,077,260</u>	<u>\$760,377</u>

## auditors' report

TO THE SHAREHOLDERS,  
THE GLENGAIR GROUP LIMITED

We have examined the consolidated balance sheet of The Glengair Group Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of earnings, retained earnings and source and application of funds for the year ended on that date. Our examination of the financial statements of the Company and those subsidiaries of which we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

Toronto, Ontario,  
February 27, 1970.

## 11. TRANSLATION OF FOREIGN CURRENCIES

Translation to Canadian dollars of assets and liabilities, revenues and expenditures originating in other currencies has been made at the approximate rate of exchange on the respective year end dates, which had remained stable during the year. This policy has been applied in all cases except fixed assets and related allowances for depreciation which are stated at the accumulated amounts obtained by the application of rates prevailing at the time of acquisition or charge.

## 12. CONTINGENT LIABILITY FOR INCOME TAXES

A subsidiary company has a contingent liability for income taxes of \$93,561 (excluding interest).

## 13. STATUTORY INFORMATION

The aggregate direct remuneration paid or payable by the Company or its subsidiaries to the directors and senior officers (as defined by The Corporations Act) of the Company was \$313,984 (1968 \$169,857), as follows:

	1969	1968
(a) Directors' fees . . . . .	\$ 20,250	\$ 4,800
(b) Remuneration of senior officers of the Company, and senior officers of its operating division . . . . .	293,734	165,057
	<u>\$313,984</u>	<u>\$169,857</u>

## 14. LOANS FROM SHAREHOLDER

Of the aggregate bank loans and advances, \$10,919,206 is owing a bank which is a shareholder of the Company.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the reversal of appraisal increments referred to in Note 4, in which we concur.

GLENDINNING, JARRETT, GOULD & CO.  
Chartered Accountants



## **the Glengair Group limited**

**HEAD OFFICE** 52nd FLOOR, TORONTO DOMINION CENTRE  
Toronto, Canada

**OPERATING COMPANIES** ALLANSON MANUFACTURING CORPORATION LIMITED  
Toronto, Ontario

ALLANSON MANUFACTURING CORPORATION  
North Tonawanda, New York

CANADA BRICK COMPANY  
Mississauga, Ontario

GLENTech INSTRUMENTS LIMITED  
Toronto, Ontario

NORTHERN TAR, CHEMICAL AND WOOD LIMITED  
and subsidiary companies  
Thunder Bay, Ontario  
Prince Albert, Saskatchewan

REDI-SET BUSINESS FORMS LIMITED  
Don Mills, Ontario

ST. LAWRENCE BRICK CO. LIMITED  
La Prairie, Quebec

TANCORD INDUSTRIES LTD.  
and subsidiary companies  
Brantford, Ontario  
Lockport, New York

VENPOWER LIMITED  
and subsidiary companies  
Toronto, Ontario  
Anaco and Caracas, Venezuela

